

§ 159.1

12 CFR Ch. I (1–12 Edition)

- 159.3 What are the characteristics of, and what requirements apply to, subordinate organizations of Federal savings associations?
- 159.4 What activities are preapproved for service corporations?
- 159.5 How much may a Federal savings association invest in service corporations or lower-tier entities?
- 159.10 How must separate corporate identities be maintained?
- 159.11 What notices are required to establish or acquire a new subsidiary or engage in new activities through an existing subsidiary?
- 159.12 How may a subsidiary of a Federal savings association issue securities?
- 159.13 How may a Federal savings association exercise its salvage power in connection with its service corporation or lower-tier entities?

AUTHORITY: 12 U.S.C. 1462, 1462a, 1463, 1464, 1828, 5412(b)(2)(B).

SOURCE: 76 FR 49025, Aug. 9, 2011, unless otherwise noted.

§ 159.1 What does this part cover?

(a) The OCC is issuing this part 159 pursuant to its general rulemaking and supervisory authority under the Home Owners' Loan Act, 12 U.S.C. 1462 *et seq.*, and its specific authority under section 18(m) of the Federal Deposit Insurance Act, 12 U.S.C. 1828(m). This part 159 applies to subordinate organizations of Federal savings associations. The OCC may, at any time, limit a Federal savings association's investment in any of these entities, or may limit or refuse to permit any activities of any of these entities for supervisory, legal, or safety and soundness reasons.

(b) Notices under this part are applications for purposes of statutory and regulatory references to "applications." Any conditions that the OCC imposes in approving any application are enforceable as a condition imposed in writing by the OCC in connection with the granting of a request by a Federal savings association within the meaning of 12 U.S.C. 1818(b) or 1818(i).

§ 159.2 Definitions.

For purposes of this part:

Control has the same meaning as in part 174 of this chapter.

GAAP-consolidated subsidiary means an entity in which a Federal savings association has a direct or indirect ownership interest and whose assets

are consolidated with those of the savings association for purposes of reporting under Generally Accepted Accounting Principles (GAAP). Generally, these are entities in which the savings association has a majority ownership interest.

Lower-tier entity includes any company in which an operating subsidiary or a service corporation has a direct or indirect ownership interest.

Operating subsidiary means any entity that satisfies all of the requirements for an operating subsidiary set forth in § 159.3 of this part and that is designated by the parent Federal savings association as an operating subsidiary pursuant to § 159.3 of this part. More than 50% of the voting shares of an operating subsidiary must be owned, directly or indirectly, by a Federal savings association and no other person or entity may exercise effective operating control. An operating subsidiary may only engage in activities permissible for a Federal savings association.

Ownership interest means any equity interest in a business organization, including stock, limited or general partnership interests, or shares in a limited liability company.

Service corporation means any entity that satisfies all of the requirements for service corporations in 12 U.S.C. 1464(c)(4)(B) and § 159.3 of this part and that is designated by the investing Federal savings association as a service corporation pursuant to § 159.3 of this part. A service corporation must be organized under the laws of the state where the Federal savings association's home office is located, may only be owned by savings associations with home offices in that state, and may engage in the activities identified in §§ 159.3(e)(2) and 159.4 of this part.

Subordinate organization means any corporation, partnership, business trust, association, joint venture, pool, syndicate, or other similar business organization in which a Federal savings association has a direct or indirect ownership interest, unless that ownership interest qualifies as a pass-through investment pursuant to § 160.32 of this chapter and is so designated by the investing savings association.